

**Statement by
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**Before the Subcommittee on Government Management, Finance and Accountability
U.S. House of Representatives
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Chairman Platts, Ranking Member Towns, and Members of the Subcommittee:

It is my pleasure to appear before you today. Thank you for inviting me to testify on the Department of Homeland Security's progress in implementing the provisions of the Department of Homeland Security Financial Accountability Act.

Our charge is to unify multiple agencies and missions for a single purpose: to secure the homeland. The larger management effort of the Department involves five lines of business, including budget and finance, procurement, human capital, information technology, and administrative services. The Chiefs of these lines of business help to guide the organizational transformation necessary for the integration and functioning of the 22 agencies that formed the Department. This is an integral part of our strategic and operational mission objectives.

Two years ago, nearly 180,000 employees and a budget of \$31.2 billion were brought under DHS. Since then, the Department's budget authority has grown to over \$40 billion. To ensure that these resources are being used effectively and efficiently, one of our top priorities has been to integrate specific departmental functions to enhance efficiencies and create greater accountability throughout the organization. The Management Directorate is pleased to report that over half of the management processes have been consolidated including 22 different human resources servicing offices to 7, 8 different payroll systems to 2, 19 financial management centers to 8, 13 procurement systems and offices to 8, and 27 bank card programs to 3. We have achieved significant milestones since the stand up of the Department; however, much work still remains to be done.

The Department's leadership team recognizes that each year Congress, on behalf of the taxpayers, invests significant financial resources in homeland security, and that with this investment the Department is entrusted to use these resources wisely. This investment demands sound financial management. DHS managers must be able to procure necessary goods and services efficiently, track how funds are spent, and ensure that taxpayer dollars are invested effectively and consistent with DHS' mission. DHS business is accomplished with impartiality and in a manner above reproach, avoiding any conflict of interest or even the appearance thereof. Sound financial management also means that DHS has safeguards against waste, fraud and abuse, requirements for the highest standards of conduct, and that we can present fairly and accurately its financial

statements. Our CFO, Andrew Maner, will further discuss the Department's financial management in a few minutes.

Management and its integration are extremely important to the leadership of DHS. In his announcement this month on the results of his second stage review, Secretary Chertoff cited the stewardship of financial resources, procurement, human resources and information technology as several elements of the key imperatives that will drive the near-term agenda for DHS. The Secretary understands the organizational efficiencies that can be gained by integrating these functions of the Department. The DHS Financial Accountability act, as well, wisely recognizes the potential for these efficiencies and thus provided that the CFO would serve as a dual report to the Secretary and the Undersecretary for Management.

I know that the committee has concerns about DHS' progress in implementing key sections of this act. It is important to note that in financial management matters the CFO has direct access to, and the support of, the Secretary and Deputy Secretary on key financial and budget issues. This relationship is evidenced on the Departmental organization chart (submitted with this testimony) as well as in the day-to-day operations of the Department leadership now with Secretary Chertoff and Deputy Secretary Jackson and previously with Secretary Ridge and Deputy Secretary Loy. For example, the CFO attends the Secretary's daily morning staff meetings and meets regularly with the Secretary and Deputy Secretary on financial management matters.

The organizational placement of the CFO as a dual report to the Secretary and the Undersecretary for Management provides a horizontal view of the administrative functions of the Department, making it possible to identify opportunities for integration and consolidation, which was one of the core purposes for establishing the Department. Under one directorate, all the lines of business Chiefs can facilitate the collaboration and integration of management policies and issues throughout the Department and drive change that crosses organizational boundaries. As an integrated, interactive management team, CFO, CIO, CPO, CHCO and CAO can ensure fiscal responsibility and effective operations in each line of business as well as with the Departmental components.

In August of 2004, the Department initiated the transformational process of functional integration. Functional integration is the structured cooperation and collaboration of each functional expert throughout the Department for the purpose of achieving efficiency and excellence in support of Departmental mission and objectives. These efforts are decreasing fragmentation and duplication, providing enhanced integrated services and increasing the efficiency and quality of the Department's management functions.

This functional integration effort developed systems and processes that create seamless efforts whereby the Federal Government is responsive to the needs of citizens. Support systems were also formed in order to enhance mission effectiveness and create economies of scale through the consolidation of high volume transaction centers (including shared services). With properly placed accountability on DHS' leadership to be responsible for the actual integration effort, a concept of dual accountability was enhanced where both

the operational leadership (agency heads and line directors) and the support structure leadership (Line of Business Chiefs) are responsible for implementation.

Part of the organizational transformation challenge of DHS is to continue to drive functional integration. The CFO serves as a member of the Under Secretary for Management leadership team, along with other Lines of Business Chiefs, to drive this integration and yield greater efficiencies and savings.

The Department understands fully the importance of the role that the CFO plays as the steward of the Department's finances and as the key financial management advisor not only to the Secretary, but to all senior executives throughout the Department. Furthermore, we understand the requirement to submit a nomination for the Chief Financial Officer (CFO) and we intend to carry out that requirement. We are actively recruiting for a CFO nominee and hope to have a recommendation in the near future. We will keep the Committee informed of our progress. While we move forward in that process, we are thankful that we have the outstanding service of Andrew Maner at this critical time for the Department. Mr. Maner was the Department's CFO prior to the enactment of the DHS Financial Accountability Act and continues to serve in that role.

As we work to carry out the critical mission of securing the homeland, we do so with a commitment to meeting the requirements of Congress in every respect, and we will do so.

I thank you again for the opportunity to appear before the Subcommittee this afternoon, and I look forward to answering your questions.